UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration
Division of Controller
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METHODS OF CLOSING THE BOOKS

[1944?]

Text No. 10

1. INTRODUCTION

It has been shown that the bookkeeper may prepare statements at any time adjusting data are available by using a work sheet. If a work sheet is used to prepare statements at some date other than the close of an accounting period, no adjusting or closing journal entries should be made and the ledger accounts would not be affected. However, closing entries are recorded only at the end of a fiscal period; and the work sheet is prepared as an aid in adjusting and closing the books and preparing the periodic statements.

Adjusting entries at the close of an accounting period have been illustrated and explained in preceding texts. After the accounts have been adjusted to reflect all real and nominal elements, the nominal accounts will be closed. The process of transferring the nominal account balances into Capital through one or more summary accounts is termed "closing the books." The real or balance sheet accounts are balanced if they contain two or more items and the balances are carried forward, permitting the real accounts to remain open from period to period.

The closing process separates the operating results (income and expense) of one period from those of another. Since the nominal accounts are used to measure these results over equal intervals of time, a basis for comparison is established that would not otherwise exist. The closing process also has a further result: It assembles, classifies, and records in account form the results of business operations. After the books have been closed, the summary accounts in the general ledger give not only a clear view of the profit or loss results for the period but also present a systematic arrangement of data upon which the net result is based. Anyone interested in analyzing these data can do so with minimum effort.

2. METHODS OF PROCEDURE

Assume that after adjusting the nominal accounts the books are to be closed. How shall the bookkeeper proceed? This question is difficult to answer in definite terms, because the methods of procedure vary with the needs of the individual business. In order that the reader may understand the variations found in actual practice, three basic methods will be explained separately.

Method I

(a) Transfer all nominal account balances into the summary account Profit and Loss.

(b) Transfer the Profit and Loss account balance into Capital, or into the proprietor's Personal account. The balance of the Personal acccount then may be closed to Capital.

Method II

(a) Transfer all nominal accounts relating to the purchase and resale of merchandise into a summary account titled "Trading."
(b) Transfer the Trading account, the balance of which represents gross profit, into the Profit and Loss account.
(c) Transfer the operating expense accounts into Profit and Loss.
(d) Transfer the non-operating items into the Profit and Loss account.
(e) Transfer Profit and Loss to Capital or to the Personal account.

Method III

(a) Transfer all valuation accounts related to sales into the Sales account.
(b) Transfer all valuation accounts related to merchandise purchases (including inventories) into the Purchases account.
(c) Transfer gross profit to Profit and Loss by closing Sales (Net) and Purchases (cost of goods sold).
(d) Transfer the operating expense accounts into Profit and Loss by two or more entries, one for each classification of operating expenses.
(e) Transfer non-operating income accounts and non-operating expense accounts to Profit and Loss.
(f) Transfer Profit and Loss to Capital or to the Personal account.

The journal entries necessary to close the nominal accounts and transfer their balances to the summary accounts are based upon amounts that may be obtained from any one of several sources: (1) The nominal account balances as disclosed by the ledger after adjusting entries have been posted or (2) as shown on the adjusted trial balance; (3) the profit and loss columns of the work sheet; (4) the profit and loss statement, assuming that the statement has been prepared from a work sheet prior to making closing entries.

3. EXPLANATION OF METHOD I

In explaining the first method of closing a set of books, the accounts of Jim Mann which were given in Text No. 8 will be used as a basis for the closing entries. Refer to the work sheet on the following page and notice that it corresponds with the one illustrated in Text No. 8 except that (1) the Adjusted Trial Balance columns have been eliminated since the same results may be obtained by extending the Pre-closing Trial Balance amounts and the Adjustments directly to the Profit and Loss and balance sheet columns; and (2) the recording of closing inventory involves a credit to Profit and Loss rather than Purchases—see first entry on page 4.

Under this method, the items to be carried to the Profit and Loss summary account are shown in the work sheet, all nominal elements being indicated in

JIM MANN - WORK SHEET JUNE 30, 19--

Account Titles	Trial Balance Debit	Trial Balance Credit	Adjustments Debit	Adjustments Credit	Profit and Loss Debit	Profit and Loss Credit	Balance Sheet Debit	Balance Sheet Credit
Cash	$ 3,000						$ 3,000	
Accounts Receivable	8,000						8,000	
Notes Receivable	2,500						2,500	
Reserve for Uncoll. Accts.		$ 40		(B)$ 65				$ 105
Merchandise Inventory	3,000				$ 3,000	$ 2,400	2,400	
Furniture and Fixtures	1,000						1,000	
Res. for Depr. of F. & F.		50		(A) 10				60
Building	8,000						8,000	
Res. for Depr. of Building		150		(A) 30				180
Accounts Payable		5,040						5,040
Mortgage Payable		6,000						6,000
Jim Mann, Capital		12,970						12,970
Jim Mann, Personal	320						320	
Sales		9,200				9,200		
Sales Returns & Allowances	150				150			
Purchases	7,000				7,000			
Freight and Cartage In	60				60			
Wages	300				300			
General Expenses	150				150			
Insurance	120			(C) 110	10			
Rent Income		150	(D) 100			50		
Depreciation			(A) 40		40			
Uncollectible Accounts			(B) 65		65			
Prepaid Insurance			(C) 110				110	
Unearned Rent Income				(D) 100				100
Taxes			(E) 80		80			
Accrued Taxes Payable				(E) 80				80
Interest Expense			(F) 30		30			
Accrued Interest Payable				(F) 30				30
Accrued Interest Receivable			(G) 10				10	
Interest Income				(G) 10		10		
	$33,600	$33,600	$435	$435	$10,885	$11,660		
Net Income for the Month					775			775
					$11,660	$11,660	$25,340	$25,340

the Profit and Loss columns. In order to close the income group, we debit separately nominal accounts with credit balances and credit Profit and Loss for the total; to close the expense group we debit Profit and Loss for the total and credit individually the nominal accounts with debit balances. The journal entries follow.

		June 30, 19--		Dr.			Cr.	
		Merchandise Inventory (closing)	2	400	00			
		Sales	9	200	00			
		Rent Income		50	00			
		Interest Income		10	00			
		Profit and Loss				11	660	00
		To record closing inventory and transfer to P&L total of income accounts.						
		-30-						
		Profit and Loss	10	885	00			
		Merchandise Inventory (opening)				3	000	00
		Sales Returns and Allowances					150	00
		Purchases				7	000	00
		Freight and Cartage In					60	00
		Wages					300	00
		General Expenses					150	00
		Insurance					10	00
		Depreciation					40	00
		Uncollectible Accounts					65	00
		Taxes					80	00
		Interest Expense					30	00
		To transfer all expense account balances to Profit and Loss						

In posting a compound closing entry, the question is sometimes raised whether the single total shown in the journal or the items which comprise this total should be posted to the Profit and Loss account. While either method is correct, the latter is to be preferred because it eliminates the necessity of referring to the journal entry to determine the elements of profit and loss. Further, if the Profit and Loss Statement is to be prepared from the Profit and Loss ledger account, the individual items should appear in the account.

After the nominal elements have been summarized, the balance of the Profit and Loss account is closed into Capital; or, the net profit or loss is closed into the proprietor's Personal account and the balance of the Personal account, which represents the net increase or decrease in capital, may be transferred to the owner's capital investment account. The journal entries are:

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		-30-				
		Profit and Loss	775	00		
		Jim Mann, Personal			775	00
		To close net profit for period into the personal account.				
		-30-				
		Jim Mann, Personal	455	00		
		Jim Mann, Capital			455	00
		To transfer the net increase in investment to the proprietor's capital account.				

After the closing entries have been posted, all nominal accounts will be in balance, and the Profit and Loss account and the proprietorship accounts will appear as follows:

Profit and Loss

June 30	Opening Inventory	$ 3,000	June 30	Closing Inventory	$ 2,400
	Sales Ret. & Allow.	150		Sales	9,200
	Purchases	7,000		Rent Income	50
	Freight & Cartage In	60		Interest Income	10
	Wages	300			
	General Expenses	150			
	Insurance	10			
	Depreciation	40			
	Uncollectible Accts.	65			
	Taxes	80			
	Interest Expense	30			
	Jim Mann, Personal	775			
		$11,660			$11,660

Jim Mann, Personal

June --	Drawings for month	$ 320	June 30	Profit and Loss	$ 775
30	Jim Mann, Capital	455			

Jim Mann, Capital

			June 1	Balance	$12,970
June 30	Balance down	$13,425	30	Increase in Invest.	455
					$13,425
			July 1	Balance	$13,425

After all adjusting and closing entries have been posted, the nominal accounts are closed and ruled in order to provide for postings of entries of the next accounting period. The accounts that remain open are real accounts, that is, those representing assets, liabilities and capital. Finally, the balances of these accounts are carried forward and the books are said to be closed.

Method I as illustrated seems best adapted to situations where the elements of income and expense are not numerous.

4. EXPLANATION OF METHOD II

Instead of using one summary account to show all the elements of income and expense as illustrated in the preceding section, some accountants prefer to divide the Profit and Loss account into two sections--a trading section and a profit and loss section. When this procedure is followed all items that enter into the computation of gross profit are first grouped together. In other words, Sales, Sales Returns and Allowances, Purchases, Purchases Returns and Allowances, Freight and Cartage Inward, opening Inventory and closing Inventory, and similar items related to the purchase and resale of Material are first transferred to a summary account titled "Trading." The balance of this account, which represents gross profit, is then closed to the Profit and Loss account together with the balances of the operating expense accounts and the nonoperating items.

Referring again to Mr. Mann's trial balance in Text No. 8 and the adjustments commented upon, we shall set up a new work sheet form. Notice that the adjusted trial balance columns have been omitted inasmuch as the items may be extended directly into the classification columns; and a pair of columns representing the Trading account has been added. When a Trading account is used, it is necessary to modify the adjusting entry for closing inventory as follows because inventories are carried to the Trading columns:

(A)	Merchandise Inventory	$2,400	
	Trading		$2,400
	To record merchandise inventory as of June 30, 19___.		

All other adjustments will be made in the manner previously illustrated.

Using the double column of the work sheet captioned "Trading" as a guide, the closing entries are prepared to transfer all the nominal elements affecting the computation of gross profit (except closing inventory which already has been entered) to the Trading account. Below are entries closing to Profit and Loss the gross profit from trading, operating expenses, nonoperating income and nonoperating expense. The net profit is then transferred to the Personal account which is finally closed to the Capital account.

June 30, 19___

		Sales		9	200	00			
		Trading					9	200	00
		To close sales for the period to Trading summary							
		-30-							
		Trading		10	210	00			
		Mdse. Inventory (opening)					3	000	00
		Purchases					7	000	00
		Freight and Cartage In						60	00
		Sales Returns and Allowances						150	00
		To close debit balances of trading accounts to Trading summary							

June 30, 19--

Trading		1,390.00	
Profit and Loss			1,390.00
To transfer gross profit on trading into Profit and Loss.			
-30-			
Profit and Loss		645.00	
Wages			300.00
General Expenses			150.00
Insurance			10.00
Depreciation			40.00
Uncollectible Accounts			65.00
Taxes			80.00
To close operating expenses into Profit and Loss.			
-30-			
Rent Income		50.00	
Interest Income		10.00	
Profit and Loss			60.00
To close non-operating income into Profit and Loss.			
-30-			
Profit and Loss		30.00	
Interest Expense			30.00
To close non-operating expenses to Profit and Loss.			
-30-			
Profit and Loss		775.00	
Jim Mann, Personal			775.00
To close net profit to Personal account.			
-30-			
Jim Mann, Personal		455.00	
Jim Mann, Capital			455.00
To close net increase of capital into proprietor's investment.			

After these entries have been posted, the accounts appear as follows:

Trading

June 30 Inventory (opening)	$ 3,000	June 30 Inventory (closing)	$ 2,400
Purchases	7,000	Sales	9,200
Freight and Cartage	60		
Sales Ret. & Allow.	150		
Profit and Loss	1,390		
	$11,600		$11,600

Profit and Loss

June 30	Wages	$ 300	June 30	Trading Gross Profit	$1,390
	General Expenses	150			
	Insurance	10			
	Depreciation	40			
	Uncollectible Accts.	65			
	Taxes	80			
	Balance Down	745			
		$1,390			$1,390
June 30	Interest Expense	$ 30	June 30	Operating Profit	$ 745
	Jim Mann, Personal	775		Rent Income	50
				Interest Income	10
		$ 805			$ 805

Jim Mann, Personal

June --	Drawings	$ 320	June 30	Profit & Loss	$ 775
30	Jim Mann, Capital	455			

Jim Mann, Capital

June 30	Balance down	$13,425	June 1	Balance	$12,970
			30	Personal	455
			July 1	Balance	$13,425

The Profit and Loss account illustrates the bookkeeping procedure of bringing down within the account the Net Operating Profit when the amounts posted to the account reflect this balance. It was for this purpose that separate entries were made to close operating and non-operating items.

Method II is practicable in closing the books of any concern buying and selling merchandise. When a business is departmentalized and it is desired to know the gross profit on each class of merchandise sold, separate Trading accounts can be set up for each department. Of course, inventory, sales, purchases and related accounts would have been segregated by departments; that is, a set of trading accounts would have been kept for Department A, another for Department B, and so on. At the end of the period, the Trading profit of each department would be closed into Profit and Loss, and closing entries made for operating expenses and non-operating items as illustrated.

5. EXPLANATION OF METHOD III

The underlying principle of this method is to develop net sales in the Sales account, and cost of goods sold in the Purchases account, so that gross profit on sales may be carried to the Profit and Loss account. The gross profit realized may be compared to income for the service of handling merchandise.

When the operating expense accounts are numerous, it is desirable to classify them into at least two groups: Selling Expenses and General Administrative Expenses. Buying Expenses, Delivery Expenses, or other classifications

also may be set up. The operating expenses when so classified may be closed into Profit and Loss by separate entries for each group. This avoids long compound entries and simplifies posting to the Profit and Loss account since the total of each expense classification can be shown in place of the individual items. Non-operating income and non-operating expenses may be closed by an entry for each classification.

The basis for entries under Method III usually is the profit and loss statement as prepared from a work sheet at the end of the accounting period. The work sheet of Bill Earl is given together with the classified profit and loss statement prepared therefrom. The working papers are similar in form to those first illustrated on page 3 of this text. But as an aid in preparing classified statements, symbols have been placed before the account titles showing in which section of the balance sheet or profit and loss statement the account balances will appear. As the statements are prepared, the symbols may be checked to indicate that the items have been placed in the proper sections.

Bill Earl
Profit and Loss Statement
For the Year 19--

Sales		$79,450.85	
Returns and Allowances		375.42	$79,075.43
Cost of Goods Sold:			
Purchases		$51,625.60	
Freight and Drayage In		1,250.95	
Merchandise Inventory January 1	$10,805.10		
Merchandise Inventory December 31	10,369.35	435.75	53,312.30
Gross Profit			$25,763.13
Selling Expenses:			
Salesmen's Commissions	$ 6,450.00		
Advertising	1,285.75		
Depreciation on Store Fixtures	200.00		
Miscellaneous Selling Expense	550.40	$ 8,486.15	
Delivery Expenses:			
Wages of Delivery Force	$ 1,635.00		
Depreciation on Transp. Equip.	600.00		
Miscellaneous Delivery Expense	345.88	2,580.88	
General Administrative Expenses:			
Office Salaries	$ 3,945.00		
Office Expense	290.37		
Depreciation on Office Equipment	38.50		
Rent	2,400.00		
Insurance	72.50		
Taxes	149.25		
Uncollectible Accounts	790.75	7,686.37	18,753.40
Net Operating Profit			$ 7,009.73

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Bill Earl
Profit and Loss Statement
For the Year 19-- (Cont.)

Net Operating Profit (brought forward)			$ 7,009.73
Non-Operating Income:			
Discounts on Purchases	$ 650.45		
Interest Income	95.60	$ 746.05	
Non-Operating Expenses:			
Discounts on Sales	$ 300.90		
Interest Expense	45.50		
Loss on Securities	60.35	406.75	339.30
			$ 7,349.03

Using the profit and loss statement as a guide, closing entries are prepared in the following manner (notice that ending inventory is reflected as an adjustment to Purchases):

December 31, 19--

			Debit	Credit
		Sales	375 42	
		Sales Returns and Allowances		375 42
		To transfer sales returns and allowances to determine net sales.		
		-31-		
		Purchases	12 056 05	
		Merchandise Inventory (Jan. 1)		10 805 10
		Freight and Drayage In		1 250 95
		To transfer opening inventory and freight charges to Purchases account to reflect cost of goods.		
		-31-		
		Sales	79 075 43	
		Purchases		53 312 30
		Profit and Loss		25 763 13
		To close gross profit to P&L.		
		-31-		
		Profit and Loss	8 486 15	
		Salesmen's Commissions		6 450 00
		Advertising		1 285 75
		Depreciation on Store Fixtures		200 00
		Miscellaneous Selling Expense		550 40
		To close selling expenses to P&L.		
		-31-		
		Profit and Loss	2 580 88	
		Wages of Delivery Force		1 635 00
		Depreciation on Transp. Equip.		600 00
		Miscellaneous Delivery Expense		345 88
		To close transportation expenses to P&L.		

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December 31, 19--

Profit and Loss	86	37		
Office Salaries			3 945	00
Office Expense			290	37
Depreciation on Office Equipment			38	50
Rent			2 400	00
Insurance			72	50
Taxes			149	25
Uncollectible Accounts			790	75
To transfer administrative and general expenses into Profit and Loss.				
-31-				
Discounts on Purchases	650	45		
Interest Income	95	60		
Profit and Loss			746	05
To close non-operating income to P&L.				
-31-				
Profit and Loss	406	75		
Discounts on Sales			300	90
Interest Expense			45	50
Loss on Securities			60	35
To close non-operating expenses to P&L.				
-31-				
Profit and Loss	7 349	03		
Bill Earl, Personal			7 349	03
To close net income to personal acct.				
-31-				
Bill Earl, Personal	3 749	03		
Bill Earl, Capital			3 749	03
To close net increase of capital to proprietor's investment account.				

When the entries have been posted, the principal accounts affected will appear as follows:

Sales

Dec. 31 Rets. & Allow.	$ 375.42	Dec. 31 Balance	$79,450.85
31 Profit and Loss	79,075.43		

Purchases

Dec. 31 Balance	$51,625.60	Dec. 31 Closing Inv.	$10,369.35
31 Freight & Drayage	1,250.95	31 Profit and Loss	
31 Opening Inventory	10,805.10	(cost of sales)	53,312.30
	$63,681.65		$63,681.65

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Profit and Loss

Dec. 31 Selling expense	$ 8,486.15	Dec. 31 Gross profit	$25,763.13
31 Transportation Exp.	2,580.88		
31 Gen'l. Adm. exp.	7,686.37		
Balance down	7,009.73		
Dec. 31 Non-opr. expense	$ 406.75	Dec. 31 Net oper. profit	$ 7,009.73
Earl, Personal	7,349.03	31 Non-oper. income	746.05
	$ 7,755.78		$ 7,755.78

Bill Earl, Personal

Dec. 31 Balance	$ 3,600.00	Dec. 31 Profit and Loss	$ 7,349.03
31 Earl, Capital	3,749.03		

Bill Earl, Capital

		Jan. 1 Investment	$20,000.00
Dec. 31 Balance down	$23,749.03	Dec. 31 Increase in inv.	3,749.03
		Jan. 1 Investment	$23,749.03

Earl's Capital account shows his investment at the beginning of the year, while the Personal account indicates the changes in net worth due to withdrawals, additional investments, and net profits or losses for the period.

The closing technique outlined in the preceding pages has been presented primarily to give a general idea of the mechanics of this important procedure. Variations other than those outlined may be encountered in practice but they should not be difficult if the methods here described are understood. The principles involved are that the nominal accounts are closed by transferring their balances to one or more summary accounts and the net result is closed to capital. So far as a choice of methods is concerned, the needs of the individual business and the wishes of the owner are the determining factors. The method used in closing a set of REA-type books will be discussed specifically in a later text. For problem work, Method III closely follows the theory of accounts and appropriate grouping of nominal elements in determining profit and loss results.

To complete the illustration of Bill Earl's records, the classified balance sheet prepared from the work sheet is given:

Bill Earl
Balance Sheet December 31, 19--

ASSETS

Current Assets:			
Cash		$5,499.18	
Accounts Receivable	$8,765.50		
Reserve for Uncollectible Accounts	831.75	7,933.75	
Merchandise Inventory		10,369.35	$23,802.28

Text No. 10

Bill Earl
Balance Sheet December 31, 19--

ASSETS (Cont.)

Current Assets (brought forward)			$23,802.28
Deferred Charges:			
Office Supplies Inventory			23.75
Plant and Equipment:			
Transportation Equipment	$3,000.00		
Reserve for Depreciation	1,200.00	$1,800.00	
Store Fixtures	$2,400.00		
Reserve for Depreciation	400.00	2,000.00	
Office Equipment	$ 450.00		
Reserve for Depreciation	77.00	373.00	4,173.00
			$27,999.03

LIABILITIES

Current Liabilities:			
Accounts Payable			$ 4,250.00

NET WORTH

Bill Earl, Capital		$20,000.00	
Net Income for the Year	$7,349.03		
Less: Withdrawals	3,600.00	3,749.03	23,749.03
			$27,999.03

Work Sheet Dec. 31, 19—

	Account Titles	Trial Balance		Adjustments		Profit and Loss		Balance Sheet	
		Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
CA	Cash	5,499 18						5,499 18	
CA	Accounts Receivable	8,765 50						8,765 50	
CA	Reserve for Uncoll. Accts.		41 00		(5) 790 75				831 75
CA	Merchandise Inventory	10,805 10		(6) 10,369 35		10,805 10		10,369 35	
PE	Transportation Equipment	3,000 00						3,000 00	
PE	Res. Depr. of Transp. Equip.		600 00		(1) 600 00				1,200 00
PE	Store Fixtures	2,400 00						2,400 00	
PE	Res. Depr. of Store Fixtures		200 00		(2) 200 00				400 00
PE	Office Equipment	450 00						450 00	
PE	Res. Depr. of Office Equip.		38 50		(3) 38 50				77 00
CL	Accounts Payable		4,250 00						4,250 00
NW	Bill Earl, Capital		20,000 00						20,000 00
NW	Bill Earl, Personal	3,600 00						3,600 00	
T	Sales		79,450 85				79,450 85		
T	Sales Ret. & Allow.	375 42				375 42			
T	Purchases	51,625 60			(6) 10,369 35	51,625 60	10,369 35		
T	Freight & Drayage In	1,250 95				1,250 95			
SE	Salesmen's Commissions	6,450 00				6,450 00			
SE	Advertising	1,285 75				1,285 75			
SE	Miscl. Selling Expense	550 40				550 40			
DE	Wages Delivery Force	1,635 00				1,635 00			
DE	Miscl. Transportation Exp.	345 88				345 88			
GA	Office Salaries	3,945 00				3,945 00			
GA	Office Expense	314 12			(4) 23 75	290 37			
GA	Rent	2,400 00				2,400 00			
GA	Insurance	72 50				72 50			
GA	Taxes	149 25				149 25			
NO	Discounts on Sales	300 90				300 90			
NO	Discounts on Purchases		650 45				650 45		
NO	Interest Income		95 60				95 60		
NO	Interest Expense	45 50				45 50			
NO	Loss on Securities	60 35				60 35			
DE	Depr. on Transportation Equip.			(1) 600 00		600 00			
SE	Depr. on Store Fixtures			(2) 200 00		200 00			
GA	Depr. on Office Equipment			(3) 38 50		38 50			
DC	Office Supplies Inventory			(4) 23 75				23 75	
GA	Uncollectible Accounts			(5) 790 75		790 75			
		105,326 40	105,326 40	12,022 35	12,022 35	83,217 22	90,566 25		
NW	Net Income for Year					7,349 03			7,349 03
						90,566 25	90,566 25	34,107 78	34,107 78

Jim Mann

Work Sheet June 30, 19--

Account Titles	Trial Balance Debit	Trial Balance Credit	Adjustments Debit	Adjustments Credit	Trading Debit	Trading Credit	Profit and Loss Debit	Profit and Loss Credit	Balance Sheet Debit	Balance Sheet Credit
Cash	3,000 00								3,000 00	
Accounts Receivable	8,000 00								8,000 00	
Notes Receivable	2,500 00								2,500 00	
Reserve for Uncollectible Accts.		40 00		(C) 65 00						105 00
Merchandise Inventory	3,000 00		(A) 2,400 00		3,000 00				2,400 00	
Furniture and Fixtures	1,000 00								1,000 00	
Reserve for Depr. of F. & F.		50 00		(B) 10 00						60 00
Building	8,000 00								8,000 00	
Reserve for Depr. of Building		150 00		(B) 30 00						180 00
Accounts Payable		5,040 00								5,040 00
Mortgage Payable		6,000 00								6,000 00
Jim Mann, Capital		12,970 00								12,970 00
Jim Mann, Personal	320 00								320 00	
Sales		9,200 00				9,200 00				
Sales Returns & Allowances	150 00				150 00					
Purchases	7,000 00				7,000 00					
Freight and Cartage In	60 00				60 00					
Wages	300 00						300 00			
General Expenses	150 00						150 00			
Insurance	120 00			(D) 110 00			10 00			
Rent Income		150 00	(E) 100 00					50 00		
	33,600 00	33,600 00								
Trading				(A) 2,400 00		2,400 00				
Depreciation			(B) 40 00				40 00			
Uncollectible Accounts			(C) 65 00				65 00			
Prepaid Insurance			(D) 110 00						110 00	
Unearned Rent Income				(E) 100 00						100 00
Taxes			(F) 80 00				80 00			
Accrued Taxes Payable				(F) 80 00						80 00
Interest Expense			(G) 30 00				30 00			
Accrued Interest Payable				(G) 30 00						30 00
Accrued Interest Receivable			(H) 10 00						10 00	
Interest Income				(H) 10 00				10 00		
			2,835 00	2,835 00	10,210 00	11,600 00				
Gross Profit on Sales					1,390 00			1,390 00		
					11,600 00	11,600 00	675 00	1,450 00		
Net Income for the Period							775 00			775 00
							1,450 00	1,450 00	25,340 00	25,340 00